



# **Financial Statement Analysis & Footnote Preparation**

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***Your Financial Partner @ Work***

# Topics

- DDRS-AFS Tools for Analysis
- Fluctuations
- Abnormalities
- DoDFMR Volume 6B, Chapter 10
- Changes to the Footnotes

# Financial Statement Analysis

- To identify composition of Footnotes and Financial Statements:
  - Footnote Drilldowns
  - Financial Statement Drilldowns
  - Report and Footnote Mapping
    - Based on Treasury Mapping
    - **Website:** <http://www.fms.treas.gov/ussgl/>
    - **Website:** <http://www.whitehouse.gov/omb/bulletins/b01-09.pdf>

# Financial Statement Analysis

- To determine changes made to Initial Trial Balance Amounts:
  - Change Log lists:
    - USSGL Accounts and Attributes
    - Beginning or Ending Balance Changes
    - Date and Time Changes Occurred
    - Preparers
    - Original and New Amounts

# Financial Statement Analysis

- To determine changes made to Initial Trial Balance Amounts:
  - Journal Voucher Log
  - Can be filtered by:
    - JV ID Number, Control Number
    - Status
    - Preparer, Approver
    - Category
    - USSGL Account
    - Approval Date

# Financial Statement Analysis

- To determine Effects of Trading Partner Eliminations:
  - Trading Partner with Elimination Levels (Management Reports)
    - Lists USSGL accounts and amounts for each Elimination Level
    - Drilldown (grouped by Seller) provides:
      - Trading Partners
      - Amounts for each Trading Partner
  - Balance Sheet Drilldown
    - Lists the Trial Balance and Elimination Amounts by Program
    - Further drilldown lists Trading Partners and Amounts

# Financial Statement Analysis

- To find Variances:
  - Reconciliation Drilldowns
    - Lists the Program causing the Variance
    - Further Drilldown Lists:
      - Trial Balance Amounts
      - Elimination Amounts
      - Trading Partners
      - Elimination Levels
      - JV IDs

# Financial Statement Analysis

## Discoverer Reports

- Utilize one of the two Existing Databases
  - Trial Balance
  - Trading Partner
- Choose one accounting period
- Can choose multiple entities
- Ad hoc queries
  - Filtered
  - Sorted
  - Totaled



# Fluctuations

- Fluctuations apply to:
  - Balance Sheet
  - Statement of Net Cost
  - Note Schedules (Notes 2 through 23)
- Fluctuation variances:
  - Variances of 10 percent or more compared to the same period of the prior year
  - Variances of 2 percent of total assets on entity Balance Sheet

# Fluctuations

- Determining Fluctuations via DDRS:
  - Reports Drop-Down Menu
  - Choose Analytical Tool
  - Choose AFS Trend Analysis
  - Choose appropriate financial statement
  - Can be filtered
    - Percentage Change OR
    - Dollar Change

# Fluctuations

- Pertinent Fluctuation Disclosures
  - What is the **dollar amount** of the fluctuation?
  - **Who** caused the fluctuation?
  - **What** caused the fluctuation?
  - **Why** did the fluctuation occur?
  - **When** did the primary business event occur causing the fluctuation?

# Abnormalities

- Abnormalities apply to:
  - Balance Sheet
  - Statement of Net Cost
  - Statement of Changes in Net Position
  - Statement of Budgetary Resources
  - Statement of Financing
  - Statement of Custodial Activity
  - Note Schedules (Notes 2 through 23)

- Pertinent Abnormality Disclosures
  - What is the **dollar amount** of the abnormality?
  - **Who** caused the abnormality?
  - **What** caused the abnormality?
  - **Why** did the abnormality occur?
  - **When** did the primary business event occur causing the abnormality?

- Notes to the Financial Statements
  - Specifies the format, content, and instructions for the preparation and presentation of the footnotes to the financial statements
- Footnote Workgroup
  - Footnote Workgroup formed approximately one year ago
  - Reviewed all the footnotes for completeness
  - Reviewed all footnotes for consistency
  - Tried to streamline the process

- Major Changes to the Footnotes
  - Footnotes 2 and 11 format changes
  - Footnote 3 expanded to include three new sections, including sections from footnotes 18 and 21
  - Footnote 18 eliminated
  - Footnotes 19 through 24 renumbered

# DoDFMR Volume 6B Chapter 10

- No Major Changes made to:
  - Footnote 1, Significant Accounting Policies
  - Footnote 5, Accounts Receivable
  - Footnote 7, Cash and Other Monetary Assets
  - Footnote 12, Accounts Payable
  - Footnote 13, Debt
  - Footnote 16, Commitments and Contingencies
  - Footnote 18, Disclosures Related to the Statement of Net Cost (Prior Footnote 19)
  - Footnote 19, Disclosures Related to the Statement of Changes in Net Position (Prior Footnote 20)
  - Footnote 22, Disclosures Related to the Statement of Custodial Activity (Prior Footnote 23)





## Footnote 2

- Format Change
  - Reduction from four columns to two
  - Non-entity assets only listed on lines 1 and 2
  - Total non-entity assets are listed on line 3
  - Entity assets listed on line 4
  - Total assets is the sum of lines 3 and 4
  - Line 5 must reconcile with the Balance Sheet
- Fluctuation analysis required
- Fluctuation explanations cannot be determined from other footnotes

# Footnote 2

## Note 2 Non-Entity Assets

As of <i>[Current Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
<b>1. Intra-governmental Assets</b>				
A. Fund Balance with Treasury	\$	\$\$\$	\$	\$\$\$
B. Investments		\$\$\$		\$\$\$
C. Accounts Receivable		\$\$\$		\$\$\$
D. Other Assets		\$\$\$		\$\$\$
E. Total Intra-governmental Assets	\$	\$\$\$	\$	\$\$\$
<b>2. Non-Federal Assets</b>				
A. Cash and Other Monetary Assets	\$	\$\$\$	\$	\$\$\$
B. Accounts Receivable		\$\$\$		\$\$\$
C. Loans Receivable		\$\$\$		\$\$\$
D. Inventory & Related Property		\$\$\$		\$\$\$
E. General PP & E		\$\$\$		\$\$\$
F. Investments		\$\$\$		\$\$\$
G. Other Assets		\$\$\$		\$\$\$
H. Total Non-Federal Assets	\$	\$\$\$	\$	\$\$\$
<b>3. Total Non-Entity Assets</b>	\$	\$\$\$	\$	\$\$\$
<b>4. Total Entity Assets</b>	\$	\$\$\$	\$	\$\$\$
<b>5. Total Assets</b>	\$	\$\$\$	\$	\$\$\$

## Footnote 3A

- Format has not changed
- Fund Balance per Treasury amount
  - FMS 6652
  - FMS 6653
  - FMS 6654
  - FMS 6655
- Explanation for Reconciling Amount
  - Transfer Account Inclusions and Exclusions
  - Canceling Appropriation Amounts
  - Timing Differences
  - Erroneous Postings

## Footnote 3A

- Suggested Narrative
  - IPAC
  - Check Issue Discrepancy
  - Deposit Differences

# Footnote 3A

## Note 3.A. Fund Balance with Treasury

As of <i>[Current Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in thousands)		
<b>1. Fund Balances:</b>		
A. Appropriated Funds	\$ \$\$\$	\$ \$\$\$
B. Revolving Funds	\$\$\$	\$\$\$
C. Trust Funds	\$\$\$	\$\$\$
D. Special Funds	\$\$\$	\$\$\$
E. Other Fund Types	\$\$\$	\$\$\$
F. Total Fund Balances	\$ \$\$\$	\$ \$\$\$
<b>2. Fund Balances Per Treasury Versus Agency:</b>		
A. Fund Balance per Treasury	\$ \$\$\$	\$ \$\$\$
B. Fund Balance per <i>[Reporting Entity]</i>	\$\$\$	\$\$\$
<b>3. Reconciling Amount</b>	\$ \$\$\$	\$ \$\$\$

## Footnote 3B

- **Suspense/Budgeting Clearing Accounts**
  - Previously part of Footnote 21
  - Moved to Footnote 3 during FY2004
- **Suggested Narrative**
  - Suspense and Budget-Clearing Accounts Relating to Disbursements
    - F3875
    - F3880
    - F3882
    - F3885
    - F3886
  - Deposit Fund Accounts

# Footnote 3B

## Note 3.B. Disclosures Related to Suspense/Budget Clearing Accounts

As of <i>[Current Fiscal Period End Date]</i>	Current FY - 2		Prior FY		Current FY		(Decrease)/ Increase from Prior FY to Current FY
(Amounts in thousands)							
<u>Account:</u>							
F3875	\$	\$.\$	\$	\$.\$	\$	\$.\$	\$.\$
F3880		\$.\$		\$.\$		\$.\$	\$.\$
F3882		\$.\$		\$.\$		\$.\$	\$.\$
F3885		\$.\$		\$.\$		\$.\$	\$.\$
F3886		\$.\$		\$.\$		\$.\$	\$.\$
<b>Total</b>	<b>\$</b>	<b>\$.\$</b>	<b>\$</b>	<b>\$.\$</b>	<b>\$</b>	<b>\$.\$</b>	<b>\$.\$</b>

## Footnote 3C

- Problem Disbursements and In-Transit Disbursements
  - Previously part of Footnote 21
  - Moved to Footnote 1 during FY2004
- Suggested Narrative
  - Unmatched Disbursements (UMDs)
  - Negative Unliquidated Obligations (NULO)
  - In-Transit Disbursements



# Footnote 3C

<b>Note 3.C.</b>	<b>Disclosures Related to Problem Disbursements and In-transit Disbursements</b>
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As of <i>[Current Fiscal Period End Date]</i>	Current FY - 2	Prior FY	Current FY	(Decrease)/ Increase from Prior FY to Current FY
(Amounts in thousands)				
<b>1. Total Problem Disbursements, Absolute Value</b>				
Unmatched Disbursements (UMDs)	\$	\$	\$	\$
Negative Unliquidated Obligations (NULO)	\$	\$	\$	\$
<b>2. Total In-transit Disbursements, Net</b>	\$	\$	\$	\$

Figure 10-7

# Footnote 3D

- Status of Funds
  - New to DoDFMR
  - Replaces Footnote 18, Unexpended Appropriations

<b>Note 3.D.</b>	<b>Status of Fund Balance with Treasury</b>
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As of <i>[Current Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
<b>1. Unobligated Balance</b>				
A. Available	\$	\$. \$\$	\$	\$. \$\$
B. Unavailable	\$	\$. \$\$	\$	\$. \$\$
<b>2. Obligated Balance not yet Disbursed</b>	\$	\$. \$\$	\$	\$. \$\$
<b>3. Total</b>	<u>\$</u>	<u>\$. \$\$</u>	<u>\$</u>	<u>\$. \$\$</u>

## Footnote 4

- Format Change
  - Previous versions of the note only displayed “Investments, Net” for the prior year
  - The prior year portion of the note has been expanded to duplicate the information presented for the current year.
- Suggested Narrative includes Investment Bid Price

# Footnote 4

## Note 4. Investments

As of <i>[Current Fiscal Period End Date]</i>	Current Year				
	Cost	Amortization Method	Unamortized (Premium)/ Discount	Investments, Net	Market Value Disclosure
<b>(Amounts in thousands)</b>					
<b>1. Intra-governmental Securities</b>					
A. Marketable	\$ \$\$. \$	Interest	\$ \$\$. \$	\$ \$\$. \$	\$ \$\$. \$
B. Non-marketable, Par Value	\$ \$\$. \$		\$ \$\$. \$	\$ \$\$. \$	\$ \$\$. \$
C. Non-marketable, Market-Based	\$\$. \$	Effective Interest	\$\$. \$	\$\$. \$	\$\$. \$
D. Subtotal	\$\$. \$		\$\$. \$	\$\$. \$	\$\$. \$
E. Accrued Interest	\$\$. \$			\$\$. \$	\$\$. \$
F. Total Intra-governmental Securities	\$ \$\$. \$		\$ \$\$. \$	\$ \$\$. \$	\$ \$\$. \$
<b>2. Other Investments (Non-Federal)</b>					
A. Military Housing Privatization Initiative	\$ \$\$. \$		\$ \$\$. \$	\$ \$\$. \$	\$ \$\$. \$
B. Accrued Investment/Income	\$\$. \$			\$\$. \$	\$\$. \$
C. Total Investments	\$ \$\$. \$		\$ \$\$. \$	\$ \$\$. \$	\$ \$\$. \$

# Footnote 4

As of <i>[Current Fiscal Period End Date]</i>	Prior Year				
	Cost	Amortization Method	Unamortized (Premium)/ Discount	Investments, Net	Market Value Disclosure
<b>(Amount in thousands)</b>					
<b>3. Intra-governmental Securities</b>					
A. Marketable	\$ \$\$. \$	Interest	\$ \$\$. \$	\$ \$\$. \$	\$ \$\$. \$
B. Non-marketable, Par Value	\$ \$\$. \$		\$ \$\$. \$	\$ \$\$. \$	\$ \$\$. \$
C. Non-marketable, Market-Based	\$. \$	Effective Interest	\$. \$	\$. \$	\$. \$
D. Subtotal	\$. \$		\$. \$	\$. \$	\$. \$
E. Accrued Interest	\$. \$			\$. \$	\$. \$
F. Total Intra-governmental Securities	\$ \$\$. \$		\$ \$\$. \$	\$ \$\$. \$	\$ \$\$. \$
<b>4. Other Investments (Non-federal)</b>					
A. Military Housing Privatization Initiative	\$ \$\$. \$		\$ \$\$. \$	\$ \$\$. \$	\$ \$\$. \$
B. Accrued Investment/Income	\$. \$			\$. \$	\$. \$
C. Total Investments	\$ \$\$. \$		\$ \$\$. \$	\$ \$\$. \$	\$ \$\$. \$

## Footnote 5 Level 1 A/R

- Agency-Wide Accounts Receivable only include Receivables outside of DoD
- Not usually reported in Component footnotes

## Footnote 5 Level 1 A/R

- Run Trading Partner With Elimination Levels report from Management Reports
- Drill down on Elimination Level Code 1
- Drill down on following A/R accounts:
  - 1310
  - 1330
  - 1335
  - 1340
  - 1360
- Export into Excel and sort by Elimination Code
- Must be done for the current fiscal year and for the same period of the prior fiscal year



## Footnote 6

- Advances and Prepayments has been added to Non-Federal Other Assets
- Suggested Narratives
  - Advances and Prepayments
  - Outstanding Contract Financing Payments



## Footnote 7

- No significant changes
- Suggested Narratives - Definitions
  - Cash
  - Foreign Currency
  - Other Monetary Assets
- Other Requirements
  - Restrictions on Cash Disclosure

## Footnote 8

- Armament Retooling and Manufacturing Support Initiative added
- Suggested Narratives
  - Federal Credit Reform Act of 1990
  - Military Housing Privatization Initiative
  - Armament Retooling and Manufacturing Support Initiative
  - Subsidy Costs
  - Subsidy Rates
  - Administrative Expenses
- Other Disclosures
  - Series of Yes/No questions added to assist in disclosure

## Footnote 9

- Removed Seized Property, Forfeited Property, and Goods Held Under Price Support and Stabilization Programs
- Suggested Narratives - Definitions
  - Inventory Available and Purchased for Resale
  - Inventory Held for Repair
  - Excess, Obsolete, and Unserviceable Inventory
  - Work in Process Balances
- Suggested Narratives
  - Restrictions of Inventory Use, Sale or Disposition
  - General Composition of Inventory
  - Changes in Criteria for Identifying the Inventory Category
  - Balances Held for Future Sale or Use
  - Government-Furnished Material and Contractor-Acquired Material

## Footnote 10

- Military Equipment added
- Suggested Narratives
  - General PP&E in the Possession of Contractors
  - Military Equipment
  - Description of Lease Arrangements
  - Imputed Interest

# Footnote 11

- Format Change
  - Reduction from four columns to two
  - Only liabilities not covered by budgetary resources listed on lines 1 and 2
  - Total liabilities not covered by budgetary resources are listed on line 3
  - Liabilities covered by budgetary resources listed on line 4
  - Total liabilities is the sum of lines 3 and 4
  - Line 5 must reconcile with the Balance Sheet
- Fluctuation analysis required
- Fluctuation explanations cannot be determined from other footnotes

# Footnote 11

## Note 11. Liabilities Not Covered by Budgetary Resources

As of <i>[Current Fiscal Period End Date]</i>	Current FY		Prior FY	
<b>(Amounts in thousands)</b>				
<b>1. Intra-governmental Liabilities</b>				
A. Accounts Payable	\$	\$.\$	\$	\$.\$
B. Debt		\$.\$		\$.\$
C. Other		\$.\$		\$.\$
<b>D. Total Intra-governmental Liabilities</b>	<b>\$</b>	<b>\$.\$</b>	<b>\$</b>	<b>\$.\$</b>
<b>2. Non-Federal Liabilities</b>				
A. Accounts Payable	\$	\$.\$	\$	\$.\$
B. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities		\$.\$		\$.\$
C. Environmental Liabilities		\$.\$		\$.\$
D. Loan Guarantee Liability		\$.\$		\$.\$
E. Debt Held by Public		\$.\$		\$.\$
F. Other Liabilities		\$.\$		\$.\$
<b>G. Total Non-Federal Liabilities</b>	<b>\$</b>	<b>\$.\$</b>	<b>\$</b>	<b>\$.\$</b>
<b>1. Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$</b>	<b>\$.\$</b>	<b>\$</b>	<b>\$.\$</b>
<b>2. Total Liabilities Covered by Budgetary Resources</b>	<b>\$</b>	<b>\$.\$</b>	<b>\$</b>	<b>\$.\$</b>
<b>5. Total Liabilities</b>	<b>\$</b>	<b>\$.\$</b>	<b>\$</b>	<b>\$.\$</b>

## Footnote 12

- No significant changes
- Suggested Narratives
  - Undistributed Disbursements
  - Allocation of Undistributed Disbursements
  - Intra-governmental Elimination

## Footnote 12 Level 1 A/P

- Run Trading Partner With Elimination Levels report from Management Reports
- Drill down on Elimination Level Code 1
- Drill down on following A/P accounts:
  - 2110
  - 2140
  - 2150
  - 2155
  - 2170
  - 2179
- Export into Excel and sort by Elimination Code
- Must be done for the current fiscal year and for the same period of the prior fiscal year





## Footnote 14

- Format Change
  - Removed all references to Intra-Governmental Environmental Liabilities
- Suggested Narratives
  - Information Related to Environmental Liabilities
  - Methodology Used to Estimate Environmental Liabilities

## Footnote 15

- Format Change
  - Accounts Payable from Cancelled Appropriations removed
- Suggested Narratives
  - Non-Environmental Disposal Liability Disclosure
    - Nuclear Assets
    - Excess/Obsolete Structures
  - Intra-Governmental Reconciliation for Fiduciary Transactions with DOL and OPM

## Footnote 17

- Format Change
  - Military Medicare-Eligible Retiree Benefits

## Prior Footnote 18

- Footnote 18, Unexpended Appropriations, deleted
- Information being reported in Footnote 3.D., Status of Funds
- All subsequent footnotes renumbered

## Footnote 18

- Net Cost Footnote, previously numbered Footnote 19
- No significant changes
- Suggested Narratives
  - Statement of Net Cost Disclosure regarding format
  - Gross Cost to Generate Intra-Governmental Revenue and Earned Revenue
  - FMS Program Procurements from Contractors
  - Stewardship Assets
  - Intra-Governmental Revenue
  - Intra-Governmental Operating Expenses
- Majority of Footnote 18 Prepared at Agency-Wide Level

# Footnote 20

- Statement of Budgetary Resources Footnote, previously numbered Footnote 20
- Format Changes
  - Suspense/Budget Clearing Accounts moved to Footnote 3
  - Problem Disbursements and In-Transit Disbursements moved to Footnote 3
- Suggested Narratives
  - United States Standard General Ledger
  - Intra-Entity Transactions
  - Obligations Incurred and Recoveries of Prior-Year Obligations
  - Spending Authority from Offsetting Collections
  - Undelivered Orders
- Other Requirements
  - Apportionment Categories

## Footnote 21

- Statement of Financing Footnote, previously numbered Footnote 22
- Adjusting Figure Disclosure
  - Resources that Finance the Acquisition of Assets
  - Other Components Not Requiring or Generating Resources
  - Revaluation of Assets or Liabilities

## Footnote 23

- Other Disclosures Footnote, previously numbered Footnote 24
- Format Change
  - Capital Leases removed (See Footnote 15)
- Suggested Narrative
  - Definitions for Lessee and Operating Lease
  - Description of Land and Building Leases
  - Description of Equipment Leases
  - Description of Other Leases



Questions?

# DFAS

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